

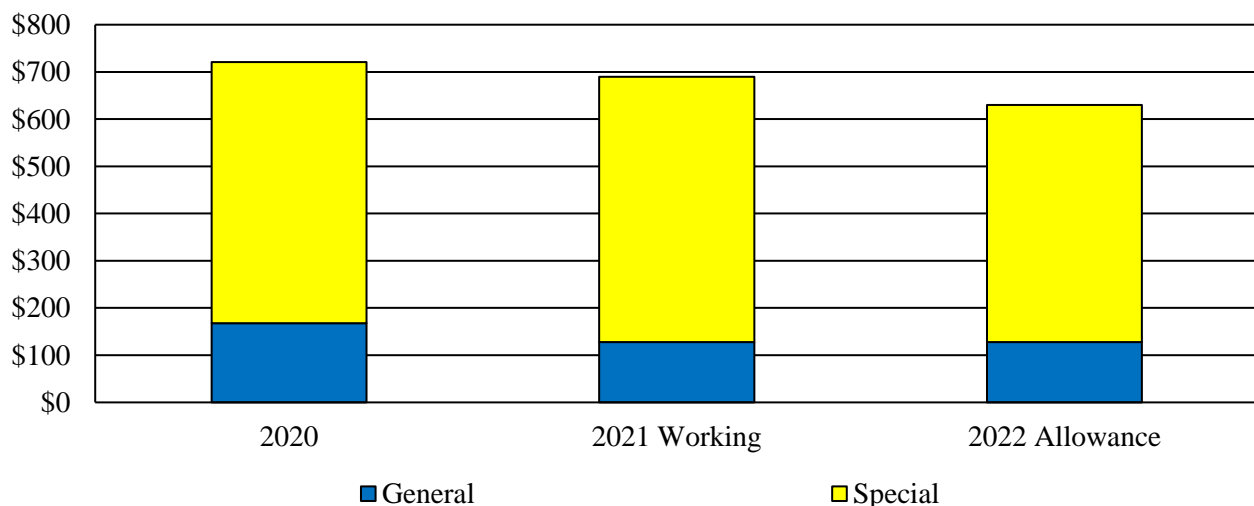
D90U00
Canal Place Preservation and Development Authority

Program Description

The Canal Place Preservation and Development Authority (Canal Place) administers the program for the Passages of the Western Potomac Heritage Area (formerly Canal Place Heritage Area) in accordance with a management plan. The Heritage Area is 1.67 square miles and is comprised of over 1,000 acres in Cumberland and a smaller area in the historic core of Frostburg. Canal Place is the 11-acre State-owned property comprised of lands adjacent to the Chesapeake and Ohio (C&O) Canal in Cumberland. Canal Place's goals are to develop and implement educational and interpretive programs that will enhance visitorship; secure public and private support through corporate sponsorship, partnerships, and private donations; partner with local tourism and the Downtown Development Commission to promote events and activities at the Canal Place and within the Heritage Area; and coordinate with stakeholders to develop and promote Canal Place as a heritage park.

Operating Budget Summary

Fiscal 2022 Budget Decreases \$60,200, or 8.7%, to \$629,700
(\$ in Thousands)



Note: Numbers may not sum due to rounding. The fiscal 2021 and fiscal 2022 appropriations do not include allocation of the fiscal 2021 cost-of-living adjustments, deficiencies, planned reversions, or contingent reductions.

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- The fiscal 2022 allowance decreases \$60,224, or 8.7%, from the fiscal 2021 working appropriation due to reduced revenues anticipated as a result of the departure of the Western Maryland Scenic Railroad.

Fiscal 2020

Canal Place received \$40,000 in general funds from the Contingent Fund in order to offset rent forbearance. The rent forbearance was provided to tenants in order to address the revenue shortfalls caused by the COVID-19 pandemic. The Board of Public Works (BPW) authorized the funding at its June 17, 2020 meeting and then approved the specific rent forbearances at its July 22, 2020 meeting. The forbearance information is shown in **Exhibit 1**.

Exhibit 1
Board of Public Works, Agenda Item 37-LL
July 22, 2020

<u>Tenants</u>	<u>Amount Per Month (April to June 2020)</u>	<u>Three Months Total</u>	<u>WMSR (3,749 Rides at \$3.00 Per Ride)</u>	<u>Total</u>
Stangel & Stangel Financial Services	\$449.08	\$1,347.24		\$1,347.24
Western Maryland Scenic Railroad	750.00	2,250.00	\$11,247.00	13,497.00
Get Out and Play Outfitters	750.00	2,250.00		2,250.00
Thrive Therapeutic Massage	625.00	1,875.00		1,875.00
Crabby Pig	1,996.90	5,990.70		5,990.70
Cumberland Trail Connection	2,099.53	6,298.59		6,298.59
European Desserts and More	348.91	1,046.73		1,046.73
Charis Winery	1,619.00	4,857.00		4,857.00
Simplee Kountry	574.39	1,723.17		1,723.17
Dig Deep at Canal Place	190.00	570.00		570.00
Total	\$9,402.81	\$28,208.43	\$11,247.00	\$39,455.43

WMSR: Western Maryland Scenic Railroad

Note: The Board of Public Works agenda item totals \$9,352.35 for the total per month (April-June 2020), which appears to be in error.

Source: Board of Public Works

Fiscal 2021

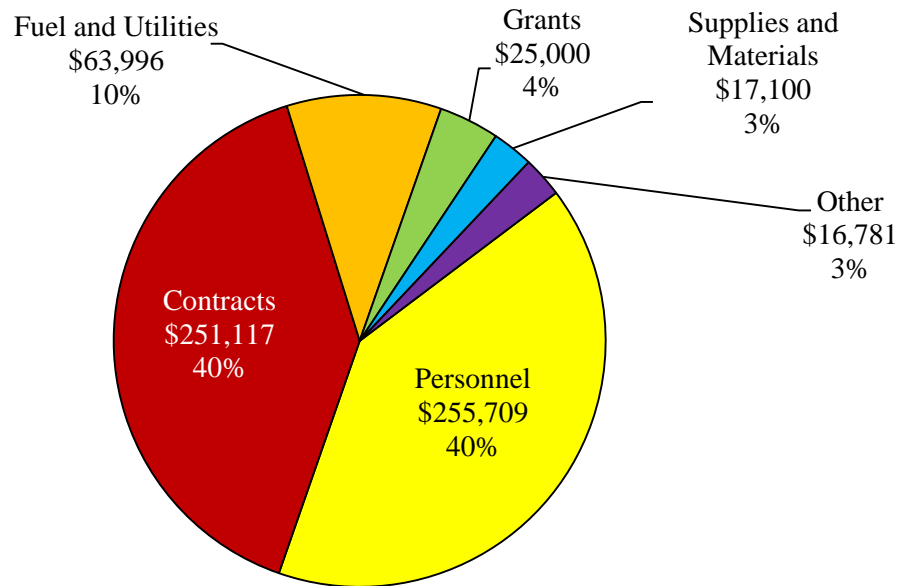
Cost Containment

At the July 1, 2020 BPW meeting, the board approved cost containment reductions in order to balance the fiscal 2021 budget as a result of the COVID-19 pandemic. Canal Place's share of this reduction was \$492 in special funds, reflecting the transfer of excess funding from the State's Self-Insured Unemployment Insurance balance.

Fiscal 2022 Overview of Agency Spending

Canal Place's main expenditure categories are personnel, contracts, fuel and utilities, grants, supplies and materials, and other administrative funding. **Exhibit 2** reflects this breakdown. The personnel category includes the funding for Canal Place's 3.0 regular positions and accounts for \$255,709, or 40%. The contracts funding reflects \$251,117, or 40%, of Canal Place's fiscal 2022 allowance. The three largest contracts are \$134,000 for cleaning services and maintenance for the Western Maryland Railway Station and shops, \$34,000 for an assistant Attorney General, and \$24,275 for the Department of Information Technology fee-for-service business model. Fuel and utilities are \$63,996, or 10%, for water, electricity, and gas for historic buildings. The agency also receives funding of \$25,000, or 4%, from the Heritage Area's mini-block grant funding from the Maryland Heritage Areas Authority (MHAA) within the Maryland Department of Planning, which is then distributed to local nonprofits in the Heritage Area.

Exhibit 2
Overview of Agency Spending
Fiscal 2022 Allowance



Source: Department of Budget and Management; Department of Legislative Services

Proposed Budget Change

Exhibit 3 shows that the fiscal 2022 allowance decreases by \$60,224 in special funds, or 8.7%, from the fiscal 2021 working appropriation. The decreased special funds primarily are due to reduced revenues anticipated as a result of the departure of the Western Maryland Scenic Railroad. The lease payments are assumed to eventually be replaced by a new vendor, but the \$3 per rider railroad train ticket recovery amount will not be replaced. There is no change in the \$128,000 general fund appropriation, all of which is budgeted for Tim Martin Home Improvements, Canal Place's all-purpose physical plant contractor. Changes in personnel funding are discussed first and then other administrative changes.

Exhibit 3
Proposed Budget
Canal Place Preservation and Development Authority
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Total
Fiscal 2020 Actual	\$168	\$553	\$721
Fiscal 2021 Working Appropriation	128	562	690
Fiscal 2022 Allowance	<u>128</u>	<u>502</u>	<u>630</u>
Fiscal 2021-2022 Amount Change	\$0	-\$60	-\$60
Fiscal 2021-2022 Percent Change		-10.7%	-8.7%

Where It Goes:	Change
Personnel Expenses	
Unemployment compensation (\$492).....	\$0
Employee and retiree health insurance (\$299).....	0
Pension contributions (-\$351).....	0
Other Changes	
Administration	
Fixed charges, including association dues for memberships with local organizations.....	2
Replacement equipment.....	-1
Communication, including cell phone expenditures and postage.....	-2
Physical Plant	
Fuel and utilities	-9
Supplies and materials, including an increase for grounds maintenance.....	-16
Contracts, including janitorial services.....	-34
Total	-\$60

Note: Numbers may not sum to total due to rounding.

Canal Place's fiscal 2022 allowance decreases by \$59,784 in nonpersonnel spending. The majority of the funding reduction is due to a combination of reduced special fund revenues constraining the budget and alignment with fiscal 2020 actual spending. Administration expenses reflect a net decrease, as additional association dues for memberships with local organizations are offset by less spending on communications and equipment purchases.

Physical Plant

Canal Place's property includes the Shops at Canal Place, the Footer's Dye Works building, the Western Maryland Railway Station, festival grounds, the ground on which the Fairfield Inn stands, two pedestrian bridges, a full-scale replica canal boat, and three parking lots: a pay-for-parking lot, a parking lot rented to local businesses, and a tenant parking lot. Canal Place's responsibility for building improvements rests with the Western Maryland Railway Station and the Shops at Canal Place.

The largest reductions made in the fiscal 2022 allowance to accommodate revenue reductions were made in contracts, fuel and utilities, and supplies and materials, considering that these are the second, third, and fifth largest spending categories in Canal Place's budget, respectively. Contracts are reduced by \$33,774. This reflects reductions of \$14,000 for janitorial services; \$4,000 for an unneeded corporate purchasing card; \$4,000 for outside services; \$3,000 for equipment repairs and maintenance; \$2,000 due to the completion of the website rebranding Canal Place as the Passages of the Western Potomac; \$1,550 due to the one-time need to market lease spaces in fiscal 2021 as a result of the pandemic; \$1,100 for commercial printing since printing can be done in-house; \$1,100 for a printer lease due to the end of the lease payment and shift to the ongoing maintenance contract; and \$3,024 for other reductions.

Funding for supplies and materials is reduced by \$15,990 in the fiscal 2022 allowance and fuel and utilities by \$9,484. These reductions are made in order to align with the fiscal 2020 actual, to meet the fiscal 2022 projected revenues, or both. One fuel and utilities reduction – \$3,387 for water/sewage utilities – may not be sustainable once visitors return after the assumed end of the pandemic.

Personnel Data

	<u>FY 20</u> <u>Actual</u>	<u>FY 21</u> <u>Working</u>	<u>FY 22</u> <u>Allowance</u>	<u>FY 21-22</u> <u>Change</u>
Regular Positions	3.00	3.00	3.00	0.00
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Personnel	3.00	3.00	3.00	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 12/31/20	n/a	n/a

Vacancies Above (Below) Turnover

- There is no change in the regular positions between fiscal 2021 and 2022.

Key Observations

1. Revenue Challenges and Expansion Plans Complicate an Already Uncertain Future

Canal Place is experiencing revenue challenges as a result of the COVID-19 pandemic at the same time that it is facilitating an ambitious and expensive River Park project despite uncertainty about its status as a State agency.

Revenue Challenges

As noted previously, BPW authorized Canal Place to receive \$40,000 in general funds in fiscal 2020 from the Contingent Fund in order to offset rent forbearance. The rent forbearance was provided to tenants in order to address the revenue shortfalls caused by the COVID-19 pandemic.

The Department of Legislative Services' (DLS) fiscal 2022 baseline for Canal Place included the assumption that a fiscal 2021 deficiency of \$133,400 in general funds would be necessary to reflect tenant departures from space leased by Canal Place and underperformance of a revenue contract. The estimated revenue loss reflected approximately 24% of Canal Place's fiscal 2021 budgeted special fund appropriation of \$561,927. The estimated reductions included \$74,000 in revenue received from Western Maryland Scenic Railroad train ridership and \$9,000 associated with its lease, which was lowered to reflect the train ridership revenue; \$8,400 in revenue losses from another tenant moving out; and a revenue reduction of \$42,000 due to underperformance of a revenue contract on a ground lease. At the time, the revenue loss from the train ridership was anticipated to continue into fiscal 2022 and now appears to be the major reason for the reductions in the fiscal 2022 allowance.

Canal Place notes that it has collected some of the revenue owed from some of its tenants but that it is still trying to fill lease vacancies that were left as a result of the Western Maryland Scenic Railroad moving just over the Potomac River to Ridgely, West Virginia during the COVID-19 pandemic. While the train ridership revenue of \$74,000 is not anticipated to continue into fiscal 2022, this loss will potentially be mitigated somewhat by the full lease revenue received from the tenant replacing the railroad since the railroad's lease was lowered to reflect the train ridership revenue. However, given the uncertainty surrounding special fund revenues, it is not clear whether Canal Place will be able to achieve its special fund revenue needs for its appropriation.

River Park

Canal Place is facilitating an ambitious multi-year plan called the River Park, which will revamp the connection of the Heritage Area to the Potomac River and accentuate access to the Potomac River in general. As shown in **Exhibit 4**, the plan spans calendar 2020 to 2025 and includes six phases, which are estimated to cost \$13.7 million. Of note, this depiction of the River Park plan was provided by Canal Place as a summary and does not fully align with the feasibility study/concept plan completed for the project, which includes a total cost of \$15.0 million. Only a fraction of the funding for the \$13.7 million estimated cost has been received, although a number of federal, State, and private sources have been identified.

**Exhibit 4
River Park Plan
Calendar 2020-2025**

<u>Description</u>	<u>Timing</u>	<u>Funding Source</u>	<u>Funding Amount</u>	<u>Funding Received?</u>
Phase 1: Complete feasibility study/concept plan. Civil & Environmental Consultants, Inc. was hired for the work.	Completed January 22, 2020.	MHAA	\$60,000	\$30,000 from MHAA.
		ARC		\$30,000 awarded by ARC (not received but accrued).
Phase 2: Conduct sediment testing below Cumberland Dam and conduct property owner identification/surveying.	Estimated start: Summer 2021.	MHAA	30,000	\$20,000 from MHAA (not received yet).
		Allegany County		\$5,000 from Allegany County.
		City of Cumberland		\$5,000 from City of Cumberland (not received yet).
Phase 3: Identify the Cumberland Dam partial removal project as a source of mitigation credits for the Maryland State Highway Administration. Other work includes creation of riparian buffers, plantings, and stream restoration.	Currently in discussion stage.	n/a	n/a	n/a.
	Estimated start: June 2022.			
Phase 4: Conduct a potential environmental assessment on NPS property; determine owners of all of the other properties and survey the properties; and conduct engineering, design, construction inspection, trail, boat ramp, and signage work.	Estimated start: September 2022.	MHAA FTEP ARC WIP NPS Access grant	2,600,000	No.

<u>Description</u>	<u>Timing</u>	<u>Funding Source</u>	<u>Funding Amount</u>	<u>Funding Received?</u>
Phase 5: Develop river bank trails and connections and a wetland trail and construct beach put-ins, take-outs, and overlook.	Estimated start: September 2023.	ARC MHAA FTEP FRTP WIP	1,500,000	No.
Phase 6: Develop whitewater features, landscaping, parking area, second boat launch, trail connections, viewing areas, and signage.	Estimated start: Spring 2025.	MHAA ARC FRTP FTEP Bond bill Private donations	9,500,000	No.
Total			\$13,690,000	

ARC: Appalachian Regional Council
FRTP: Federal Recreational Trails Program
FTEP: Federal Transportation Enhancement Program
MHAA: Maryland Heritage Areas Authority
NPS: U.S. National Park Service
WIP: Watershed Improvement Program

Source: Canal Place Preservation and Development Authority

Uncertain Future

Chapters 618 and 619 of 2020 reestablished the Task Force on the Canal Place Preservation and Development Authority in order to (1) complete the work begun by the task force under Chapter 789 of 2018 and (2) determine how to alter the powers of the authority as a State agency in order to align the mission and purpose of the Canal Place Heritage Area with that of other certified heritage areas. The Department of General Services (DGS) was required to conduct an appraisal of the authority's property for the task force by July 1, 2020. DGS forwarded the appraisal to the task force on May 8, 2020. The task force, in turn, was required to report its findings and recommendations to the budget committees by September 1, 2020. To date, the report has not been submitted.

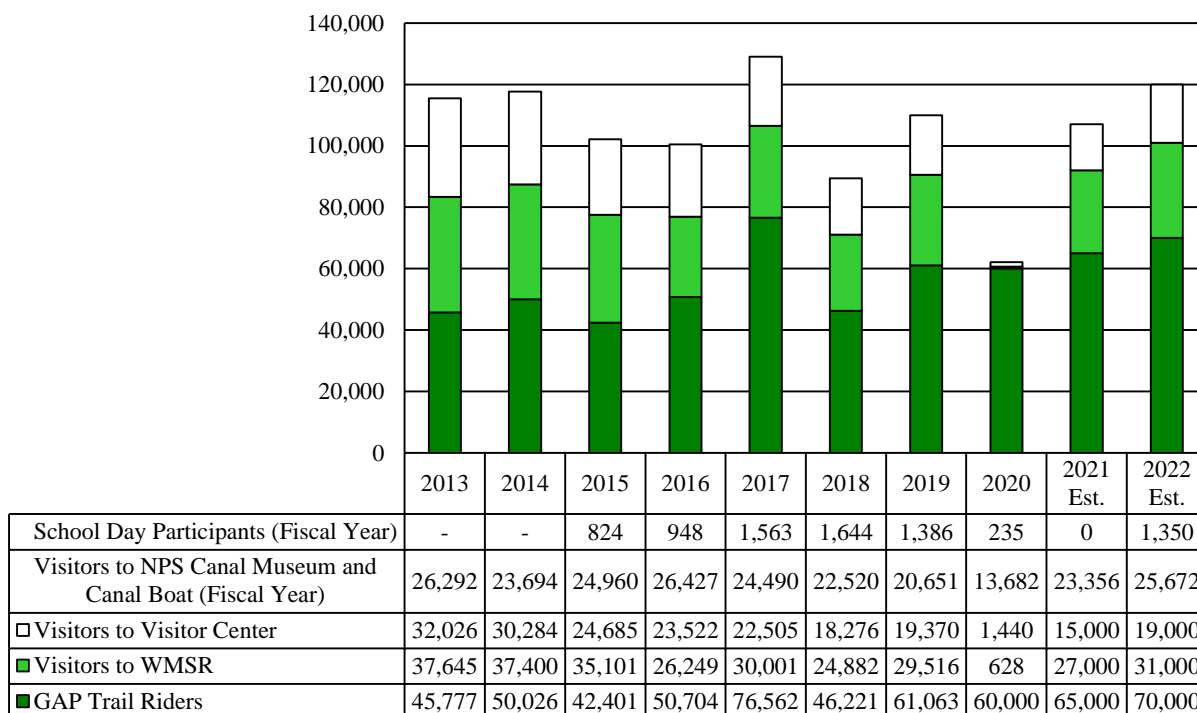
Chapter 207 of 2020 established the Task Force on the Economic Future of Western Maryland in order to study the current economic conditions of Western Maryland and make recommendations on potential methods to improve the economies of Allegany, Garrett, and Washington counties. Potential methods were to include opportunities to expand economic activity in technology-based industry, to strengthen tourism-related businesses, and strategies to overcome barriers to the creation and expansion of new small businesses. The task force was required to report its findings and recommendations to the Governor and General Assembly by January 1, 2021. While the final report does not appear to have been completed, Canal Place does not appear in the draft recommendations despite being the main resource for heritage tourism in Western Maryland and the focal point for the River Park plan for Cumberland.

DLS recommends that Canal Place discuss the status of lease vacancy filling, the general status of its revenues relative to its ongoing spending needs, and the prognosis for its ongoing solvency. DLS also recommends that Canal Place discuss whether it has the capacity to conduct the scope of the River Park project and what other administrative resources it is bringing to bear in order to complete the project. Finally, DLS recommends that Canal Place comment on the relative merits of continuing as a State agency, being privatized, or having its responsibilities transferred to other existing organizations.

2. Visitors and Events

The Heritage Area attracts visitors through activities and events. **Exhibit 5** shows the number of visitors for different events and localities within the Heritage Area. There was a decline in the number of visitors for the Western Maryland Scenic Railroad, the Canal Museum, and the Great Allegheny Passage (GAP) trail between calendar 2017 and 2018 and for the Visitor Center between fiscal 2017 and 2018. The decrease for the GAP trail was because of two landslides that affected both the entrance to the GAP trail and the train tracks between Cumberland and Frostburg. Sections of the Paw Paw Tunnel and the C&O Canal Towpath were also closed for repairs.

Exhibit 5
Visitors
Calendar 2013-2022 Est.



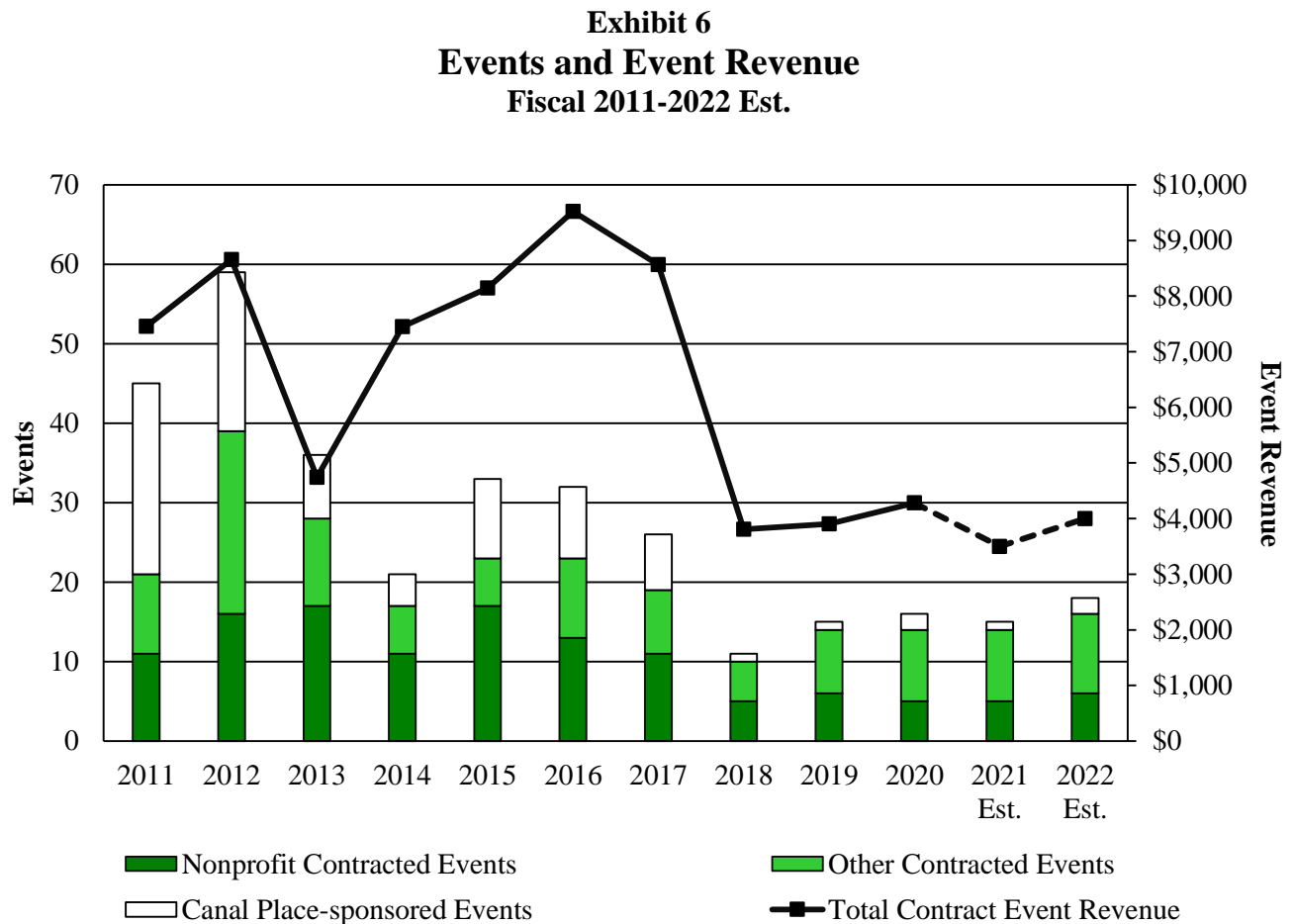
GAP: Great Allegheny Passage
NPS: U.S. National Park Service
WMSR: Western Maryland Scenic Railroad

Note: The “Visitors to NPS Canal Museum and Canal Boat” and “School Day Participants” information in the data table reflects fiscal year data. There is no fiscal 2013 and 2014 data for “School Day Participants.”

Source: Governor’s Fiscal 2015-2022 Budget Books

The decrease in all almost all types of visitors between fiscal and calendar 2019 and 2020 is due to the COVID-19 pandemic. Canal Place originally noted that it does not anticipate any school days programs in fiscal 2021 due to virtual learning and the closure of the U.S. National Park Service Visitor Center, but now is hopeful that in-person learning may begin again by March 1, 2021. While Canal Place assumes that a new Western Maryland Scenic Railroad steam engine should be online in fiscal 2022, which supports the estimate of 31,000 visitors, it is not clear whether the railroad will actually be operating out of Canal Place given that it has moved to Ridgely, West Virginia. The one highlight in the data is the number of GAP trail riders, which appears to have stayed at the same level due to the great engagement in outdoor activity during the COVID-19 pandemic.

There has also been a decline in the number of events hosted and event revenue as shown in **Exhibit 6**. Canal Place has noted in the past that it jointly funded an events coordinator position with Cumberland but that the events coordinator left and no replacement has been hired.



Source: Governor's Fiscal 2013-2022 Budget Books

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

Appendix 1
Object/Fund Difference Report
Canal Place Preservation and Development Authority

<u>Object/Fund</u>	<u>FY 20 Actual</u>	<u>FY 21 Working Appropriation</u>	<u>FY 22 Allowance</u>	<u>FY 21 - FY 22 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	3.00	3.00	3.00	0.00	0%
Total Positions	3.00	3.00	3.00	0.00	0%
Objects					
01 Salaries and Wages	\$ 253,234	\$ 255,269	\$ 255,709	\$ 440	0.2%
03 Communication	7,490	8,600	6,800	-1,800	-20.9%
04 Travel	4,713	3,600	3,600	0	0%
06 Fuel and Utilities	49,674	73,480	63,996	-9,484	-12.9%
07 Motor Vehicles	1,084	1,230	1,014	-216	-17.6%
08 Contractual Services	313,436	284,891	251,117	-33,774	-11.9%
09 Supplies and Materials	19,276	33,090	17,100	-15,990	-48.3%
10 Equipment – Replacement	0	1,000	0	-1,000	-100.0%
12 Grants, Subsidies, and Contributions	67,242	25,000	25,000	0	0%
13 Fixed Charges	4,443	3,767	5,367	1,600	42.5%
Total Objects	\$ 720,592	\$ 689,927	\$ 629,703	-\$ 60,224	-8.7%
Funds					
01 General Fund	\$ 168,000	\$ 128,000	\$ 128,000	\$ 0	0%
03 Special Fund	552,592	561,927	501,703	-60,224	-10.7%
Total Funds	\$ 720,592	\$ 689,927	\$ 629,703	-\$ 60,224	-8.7%

Note: The fiscal 2021 appropriation does not include deficiencies, targeted revenues, or across-the-board reductions. The fiscal 2022 allowance does not include contingent reductions or cost-of-living adjustments.